

FY 2001 - 2006 PERFORMANCE BASED INCENTIVE**SECTION 1
General Information**

Title: Project W-314

Project Baseline Summary (PBS): TW04

Work Breakdown Structure (WBS): 5.02.02.03.01

Maximum Available Incentive Fee: 15.4 percent of the total available FY 2001 – 2006 incentive fee pool

Type: Standard

**SECTION 2
Technical Contacts**

ORP Point of Contact: W. Taylor/T. Hoertkorn

Contractor Point of Contact: J. Eacker/J. Van Beek

**SECTION 3
Performance Expectations and Earning Schedule****General:**

- The Contractor's final fee will be determined in accordance with clause H.1, Performance Based Incentives and Fee Distribution, with the following exceptions

Table of fee payment changes from Original PBI, Contract MOD 047/048, and Schedule Optimization Workshops					
Fee	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Original fee	\$4,248,244 fee	\$2,614,304 fee	\$3,431,274	\$2,614,304	\$3,431,274
Fee Payment Changed by M047/048 (Dec01/Feb02)	FY01 fee moved to FY02	Contingent fee of \$4,248,244 moved from FY01 is to be repaid with interest if CHG does not meet M047/048 requirements FY02 fee of \$2,614,304 cannot be earned if PI specific requirements and M047/048 requirements of not exceeding a negative 7.5% cost or schedule variance are not met FY02 Total Fee = \$6,862,548	No Change No Change	No Change No Change	No Change
Fee Payment Changes from schedule optimization workshops (Feb-May 02)		FY01 Contingent fee of \$4,248,244 moved to FY05 FY02 fee of \$2,614,304 cannot be earned if the cost variance exceeds a negative 10%, or if the schedule variance exceeds a negative 7.5%. The increase from 7.5% to 10% cost variance is a one-time event to allow CHG to get the project back within the contract performance curves. FY02 Total Fee = \$2,614,304	No Change No Change	No Change No Change	No change to FY05 original fee of \$3,431,274 Contingent fee of \$4,248,244 moved from FY01 is to be repaid with interest if CHG does not meet PBI requirements Added Additional fee can be earned through expense and capital savings per table in Section 3.1.b. FY05 Total Fee = 7,679,518*

*Excludes additional fee potential.

FY 2001 - 2006 PERFORMANCE BASED INCENTIVE

- Fee paid for FY 2001 Performance Incentive: The retention by CHG of fee previously paid for fiscal year (FY) 2001 Specific Requirement 1 (listed below) will be contingent upon the successful completion of the projects baseline scope by 6/30/05 (or project end date as modified by DOE approved BCRs). If the project is not completed on the project approved end date of 6/30/05 and within the W-314 project's TEC and TPC, CHG must reimburse the FY2001 fee paid plus interest in accordance with Section I clause entitled interest. The current TEC of \$216,960,000 and TPC of \$285,260,000 can be reduced or increased by DOE approved BCRs that add or delete project workscope.
- For FY 2002: Fee can be earned by completing Specific Requirement 2 and will be based on the following scale; any unearned fee will be forfeited (fee will not be deferred to end of project). If CHG exceeds either a negative 7.5% schedule variance or a negative 10% cost variance then FY2002 fee cannot be earned.

For FY 2002 unfavorable cost variances the following fee can be earned (schedule variance must not exceed a negative 7.5% in order to earn fee):

0 to - 7.5%	100% of fee will be earned
- 7.6 to - 10%	50% of fee will be earned
over - 10%	-0- fee will be earned

(Note: Additional fee can be earned in FY 2005, if CHG reduces cost by the end of the project.)

- For FY 2005:
 - a. All fee deferred from FY 2003 and FY 2004 plus fee in FY 2005 can be earned if the projects cost does not exceed the TEC and TPC, and the project completes by the approved project completion date of 6/30/05 (or as modified by BCRs approved by DOE). The current TEC of \$216,960,000 and TPC of \$285,260,000 can be reduced or increased by DOE approved BCRs that add or delete project scope. If the cost exceeds the approved TEC and TPC all fee deferred from FY 2003 through FY 2004 will not be earned and FY 2001 fee paid will be reimbursed to DOE with interest.
 - b. Additional fee can be earned by CHG implementing cost saving initiatives that reduce the cost at completion below the TPC and TEC and the project completes by the approved project completion date of 6/30/05 (or as modified by BCRs approved by DOE). No additional fee can be earned on savings from scope deletions. The current TEC of \$216,960,000 and TPC of \$285,260,000 can be reduced or increased by DOE approved BCRs that add or delete project scope.

For the additional fee, CHG must comply with the requirements of FAR 52.216-10 "INCENTIVE FEE" (MAR 1997) with paragraph (e) of this clause as follows:

(e) Fee payable. (1) The fee payable under this contract shall be the target fee increased by a maximum of 10% for expense dollars and 20% on TEC savings for every dollar that the total allowable cost is less than the target cost or decreased by 0% for every dollar that the total allowable cost exceeds the target cost. In no event shall the fee be greater than 10% of savings on expense dollars and 20% on TEC savings.

For TPC savings on expense dollars an additional 10%* of savings can be earned as additional fee. The maximum additional fee that can be earned on savings from expense dollars is \$750,000.

The following scale will be used for calculating additional fee payable on TEC savings.*

\$0 to \$10M	5% of savings can be earned as additional fee
\$10.1M to \$20M	10% of savings can be earned as additional fee
> \$20.1M	20% of savings can be earned as additional fee

2. Performance Based Incentives may be modified to reflect changes to the project baseline resulting from external drivers, such as, submission and approval of TPA change requests for consistency purposes.
3. Acceptable product completion represents technical adequacy and good value to the government.

*The remainder of the savings (savings less earned incentive fee) shall not be used for Superstretch [Contract Clause H.1(g)].

FY 2001 - 2006 PERFORMANCE BASED INCENTIVE

Specific Requirements:

1. Complete the following upgrades by September 30, 2001: Items a) through c) below, provide a general scope of construction.
 - a) AY tank farm upgrades for Pit AY-02A and line SN-633 backfill and new SY tank farm annulus ventilation exhauster. (Earn 9% of fee.)
 - b) AW tank farm upgrades: AW tank farm definitive design, Pit AW-B construction that requires open pit, complete new cover block installation, remove cover blocks from Pit AW-A, complete fabrication of nozzle seals, drain plugs, valve handles and actuators, and pour new cover blocks. (Earn 9% of fee.)
 - c) AZ tank farm upgrades: for Pit AZ-01A, Pit AZ-02A and backfill of Lines SN-631, SN-632, and DR-100. (Earn 8% of fee.)
2.
 - a) Complete Installation of the Master Pump Shutdown System by 9/30/02. (Earn 8% of fee.)
 - b) 200 East Waste Transfer System upgrades: new AZ valve pit, lines SNL-3150 and SLL-3160 Acceptance Test Procedures (ATPs) (pressure boundary testing) lines SN-630, SN-634, SN-636, and SN-637 ATPs (pressure boundary testing) by 09/30/02. (Earn 8% of fee.)
3. Complete all Phase I Upgrades in the AY/AZ/AW Tank Farms, and AN Tank Farm Upgrades (Phase 1 and 2) by 9/30/03. (Earn 21% of fee)
4. Complete SY Tank Farm Upgrades by 9/30/04. (Earn 16% of fee.)
5. Complete Project W-314 baseline scope and submit project Construction Completion Document by 6/30/05. (Earn 47% of fee. The 47% of total fee is in recognition of releasing the contractor's obligation to repay the FY 2001 fee.)
6. Complete Project Cost Closure (4 Cs) document and submit to ORP by 3/30/06. (Additional Fee. Additional fee as defined in Section 3 above.)

SECTION 4

Performance Requirements

DEFINE COMPLETION: *(Specify Performance Elements and describe indicators of success (quality/progress). Include baseline documentation/data against which completion documentation should be compared.)*

The completion dates for Performance Expectations 1 through 4 are target dates. Fee can be earned by completing the performance expectation by a target date. If Performance Expectations 1, 3, or 4 are completed late, the fee associated with the missed performance expectation(s) will be deferred until Performance Expectation 5 (Specific Requirement 5. Complete Project W-314 baseline scope by 6/30/05) is completed. Performance Expectation 5 (Specific Requirement 5) must be completed by 6/30/05, in order to earn full available fee. All deferred fee will be paid upon completion of Performance Expectation 5 (Specific Requirement 5).

1. Items a) through c) below give a general scope of construction.
 - a) AY & SY tank farm upgrades:
 - a. Complete ATP for Pit AY-02A.
 - b. Complete Line SN-633 backfill.
 - c. Complete Operational Test Procedure (OTP) for SY annulus ventilation exhauster.
 - b) AW tank farm upgrades:
 - a. Complete AW tank farm definitive design.
 - b. Complete Pit AW-B construction that requires open pit, complete new cover block installation, and leak detector installation.

- c. Remove cover blocks from Pit AW-A, complete fabrication of nozzle seals, drain plugs, valve handles and actuators, and pour new cover blocks.
- c) AZ tank farm upgrades:
 - a. Complete ATP for Pit AZ-01A upgrades.
 - b. Complete ATP for Pit AZ-02A upgrades.
 - c. Complete backfill of Lines SN-631, SN-632, and DR-100.
2. The Master Pump Shutdown System (Programmable Logic Controllers and Human Machine Interfaces) will be installed and the Acceptance Test Report will be issued. Complete ATPs and issue Acceptance Test Report for Waste Transfer System (WTS) Construction.
3. Completion of AZ/AW/AY phase I upgrades, and AN (phase I and II) Tank Farm Upgrade construction. Complete all ATPs and ATRs for Phase I construction. Complete all ATPs and ATRs for AN Phase I and II construction.
4. Complete ATPs and issue Acceptance Test Report for SY Tank Farm Upgrades.
5. Project W-314 construction and required startup and turnover activities will be complete. CHG will complete the approved baseline for project completion including startup and turnover for operation and project closeout activities including completed Construction Completion Document by 6/30/05.
6. Project Cost Closure (4 Cs) will be completed and submitted to ORP by 3/30/06. CHG will establish an accrual reserve account as part of project closeout to disposition final project costs. ORP shall review the Project Cost Closure document and approve within 30 days; after which additional fee payment will be authorized based on the cost savings table in Section 3.b.

Construction completion must meet the criteria in the Project Design Requirements Document and be complete in accordance with design drawings and procurement specifications, which are relied upon by ORP, this would include ORP directed changes to such documents subject to change control approval.

Pit Upgrades & New Pit Construction: Completion is successfully completing construction in accordance with design documents, Acceptance Inspections (AI) and ATP, unless otherwise defined in 1-5 above.

For Transfer & Drain lines: Welding complete and accepted and lines hydro tested. Line SN-633, SN-631, SN-632, and DR-100 will be backfilled.

For WTS:

- for pits completion is successfully completing construction in accordance with design documents, and Acceptance Inspections and ATPs.
- for transfer lines completion is successfully completing construction in accordance with design documents, and Acceptance Inspections and ATPs (lines hydro tested).
- WTS transfer lines will be tied into the cross site transfer prior to completion of Project W-314.

DEFINITIONS: *(define terms)*

TEC is the Total Estimated Cost of the projects work scope, which consists of capital funds.

OPC is the Other Project Cost of the projects work scope, which consists of expense funds.

TPC is the Total Project Cost, which consists of the TEC funds plus OPC funds.

COMPLETION DOCUMENTS LIST: *(Name the Documents, Databases, etc., which will be submitted to show completion for each Performance Expectation.)*

Completion of definitive designs shall be documented by an approved Engineering Data Transmittal (EDT).

Completion of construction and testing activities shall be documented by an approved Job Control System sign-off sheet or status sheet for work related packages and by a Contractor letter documenting completion.

Submittal of the Acceptance Test Report (ATR) is evidence that ATP is complete and shall be submitted with the Performance Expectation Completion Notice.

Construction Completion Document (CCD) (currently A-6002-656 (02/00)) approved and signed by CHG, DOE, and AI. The CCD documents;

- Completion of Construction and Construction Acceptance Testing,
- Completion of Exceptions,
- Completion of Operational Testing and Test Results,
- Final Completion of Exceptions.

Project Cost Closure (4Cs) (currently A-6002-655 (02/00)) signed by CHG and submitted to DOE.

ASSUMPTIONS/TECHNICAL BOUNDARY CONDITIONS: *(For reasonably foreseeable impacts to performance that are not within control of Contractor. If the assumption or condition proves false, the remedy is renegotiations unless stated otherwise.)*

New scope (new functions and requirements and/or systems, structures and components) that is determined to be necessary for the success of the ORP mission could be added through the BCR process or will be integrated into other RPP Capital Construction Projects. This new scope from new functions and requirements and/or systems, structures and components if added to W-314 through the BCR process will not be counted against the cost savings generated by the project.

Use of contingency or project funds to cover cost uncertainties, inaccurate cost estimates, incomplete designs, unforeseen and unpredictable conditions or uncertainties that arise during execution of the project work-scope, will not be considered new scope.

SECTION 5 Signatures

ORP Manager/Date

CHG President and General Manager/Date

ORP Contracting Officer/Date

CHG Contract Representative/Date